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Postsecondary Education Review Commission
P.O. Box 3677
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Dear Postsecondary Education Review Commission Member:

I would like to thank you, once again, for agreeing to serve on the Postsecondary Education Review Commission. The work of this body will be critical in evaluating Louisiana's postsecondary education system and recommending ways in which our colleges and universities can operate more efficiently and effectively.

Louisiana's colleges and universities have received an unprecedented increase in funding in recent years, which has supported the growth of academic programs, campus construction and maintenance, research, and student services. Despite increased financial support, however, our state continues to lag behind the rest of the nation and the Southeast region in terms of student outcomes and economic indicators typically associated with higher education. And, as you heard during the Commission's first meeting, Louisiana is facing a multi-year budget shortfall that began this past year. Fewer resources will be available to support government services, including this system that is in desperate need of reform in order to adequately meet the needs of our state and our students.

Our state's five-year budget outlook shows an estimated shortfall of almost \$1 billion in FY11 and nearly \$2 billion in FY12. The majority of our state general fund is spent on higher education, health care, and the Minimum Foundation Program (MFP) for elementary and secondary education, with higher education making up approximately 15.4 percent of total state general fund spending. At a minimum, higher education could be forced to realize \$146 million in recurring expenditure savings in FY11 (which represents 15.4 percent of the shortfall). Note this number does not make the distinction between discretionary and non-discretionary spending, and therefore assumes we are successful in making significant constitutional changes to protect higher education spending. This shortfall is due significantly to the federal government's proposed decrease to the state's Federal Medical Assistance Percentages (FMAP), used to determine the amount of federal matching funds for state health care and social services expenditures, as a result of hurricane recovery money received after Hurricanes Katrina and Rita.

In addition to FMAP reductions, the federal Centers for Medicare and Medicaid Services have published a final rule that will no longer allow Louisiana and other states to use the current method of calculating Disproportionate Share Hospital (DSH) payments. It is projected that the impact of this new federal rule will be a \$140 to \$160 million reduction in federal uncompensated care payments. It is unlikely that these issues will be resolved before the Commission makes its recommendations; therefore, **I urge you to work to identify \$146 million in recurring expenditure savings that can offset the projected shortfall.** These savings should be realized through fundamental reforms of our system.

Working with the Legislature and the higher education community during this past legislative session, we were able to mitigate cuts to higher education by over \$100 million in order to allow the process of restructuring to commence. Acknowledging that these were one-time funds to support higher education's transition, Commissioner Clausen said, "For that I am most appreciative, to have the time to be very deliberate as this enterprise is restructured and turned. We will be looking not at obstacles. We will now be looking at opportunities. That will be our focus—opportunities to do things differently, more efficiently, to serve our students, not our institutions. Our students are our future and those who are in the pipeline right now trying to find pathways to get out and into the workforce and into a better life."

As you work to transition Louisiana's higher education system into a more sustainable and effective model, I urge you to address the following key priorities that have the most potential to positively impact our state's students and economy:

1. **Alignment with current and projected state and regional workforce needs**

Educational attainment must align with the economic development needs of our state. Occupational forecasts show that our state will need approximately 35,000 employees to fill new jobs each year through 2016. Most will require more than a high school diploma, but less than a four-year degree. In contrast, Louisiana's higher education system is still enrolling far more students in four-year rather than two-year colleges. Currently our student distribution between four-year and two-year institutions is 75% to 25%. As a comparison, in Southern Regional Education Board (SREB) states, the distribution is 56% to 44%. Some have estimated that for every 10,000 students enrolled in 2-year rather than 4-year institutions, the state would save approximately \$30 million. Should Louisiana make the necessary enrollment reforms needed to attain the SREB average, the state could achieve up to \$100 million in savings. Not only would these reforms help to address the state's budgetary challenges, but students themselves who opt to attend a 2-year versus 4-year institution would save approximately \$1,500 per year and would be more likely to complete their academic programs. To support this reform, the Bond Commission has approved nearly \$250 million in investments for construction projects across the state in community and technical colleges that will increase capacity to better meet the state's enrollment and workforce needs.

A primary strategy to accomplish this redistribution is to raise admission standards for undergraduate, graduate, and transfer students at our four-year schools, improve retention services, increase preparation for postsecondary education, and facilitate articulation agreements so that students have more than a 50% chance of succeeding and fewer are

dropping out in debt. According to the SREB, the percentage of first-time, full-time students taking out loans in their first year of college is rising. In Louisiana, students are borrowing almost \$4,000 during their freshman year alone. We cannot continue to allow these students to leave our colleges in debt with no education credential. Along with increased admissions standards, we should examine how the degree programs our institutions are offering match up with regional workforce and economic development needs and then make the necessary adjustments to reflect this reality.

2. Spending versus performance and productivity

Our pattern of spending more while achieving less than other states cannot continue. Louisiana ranks third in the nation, behind Wyoming and Nevada, for the percentage increase in state tax appropriations for higher education for fiscal years 1998-2008. For 2008, our state ranked sixth nationally in appropriations per \$1,000 in personal income, and eighth in appropriations per capita. The percentage change in state appropriations for higher education funding per student has increased 16% more than the southern regional average from 2003-2008, but yet our four-year college graduation rate of 37% is the lowest in the region. In contrast, the southern regional average graduation rate exceeds 50 percent. This is unacceptable and shows that increased spending alone does not guarantee better performance. The way we fund our colleges and universities must change from one based on headcount to one based on priorities. We cannot continue to incentivize inflated enrollments over improved outcomes, which drive our institutions to operate outside of their mission, seek higher institutional classifications than what the state intends or needs, and grow in size rather than results. Our new performance funding formula, which has been only partially implemented and likely will need further refinement, is a good first step, but further improvements can and should be made.

3. Achieving excellence

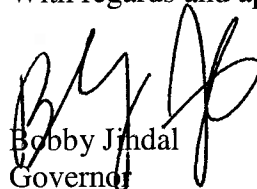
Every college and university cannot be all things to all people. All of our institutions have built high-performing programs that meet unique needs in our state and in their communities. We need to support what our institutions do best instead of duplicative instructional and research programs. By designating "centers of excellence" at each campus, we can identify and support high-performing programs that have the potential to yield great results. Doing so will free up resources to support these programs and enable us to strengthen our flagship university so that it is nationally and internationally competitive.

4. Duplication and waste

In order to support excellence, Louisiana's higher education community will need to eliminate a number of unnecessary duplications and inefficiencies that are impeding progress. This is likely to require the elimination of low-performing or duplicative academic programs, shrinking administrative positions and departments, reorganizing campuses according to their missions, and possibly even restructuring our system of governance. For example, the full-time equivalent employee count at our higher education coordinating and governing board offices has risen nearly 58% from 2002 to 2009. These and other trends should be closely examined in order to achieve savings and direct available dollars to areas aligned with the state's critical needs.

As I stated during the Commission's first meeting, your work cannot result in just another report to collect dust on the shelf. We cannot afford to continue the status quo, nor can we afford for our colleges and universities to do anything but succeed. Now is the time to drive the reforms needed to create a strong and sustainable postsecondary education system. I am looking forward to your thoughtful and bold recommendations, and I stand ready to work with you and the higher education community to implement the changes needed to best serve our citizens and our state.

With regards and appreciation,



Bobby Jindal
Governor